

B L Mehta Constructions Private Limited

June 10, 2021

Rating			
Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long- term Bank Facilities	3.00	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable; (Double B Minus; Outlook: Stable)
Long-term/ Short-term Bank Facilities	7.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (Single B Plus ; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB-; Stable / CARE A4; (Double B Minus ; Outlook: Stable / A Four)
Total Facilities	10.50 (Rupees Ten crore and Fifty lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 01, 2020, placed the rating of B L Mehta Constructions Private Limited (BLM) under the 'issuer non-cooperating' category as BLM had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. BLM continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated February 15, 2021, February 25, 2021, and March 07, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of non-availability of requisite information due to non-cooperation by B L Mehta Constructions Private Limited with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the rating continues to remain constrained owing to modest scale of operations, intense competition due to exposure to tender driven nature of business and fragmented nature of the construction sector. The rating, however, draws comfort from experienced promoters and established track record of entity, moderate profitability margins, moderate capital structure & debt coverage indicators.

Detailed description of the key rating drivers

At the time of last rating on [April 01, 2020](#), the following were the rating strengths and weaknesses: (Updated for the information available from the Registrar of Companies).

Key rating Weaknesses

Modest scale of operations:

BLM's scale of operations remained modest evident from total operating income and gross cash accruals of Rs.106.96 crore and Rs.9.92 crore respectively, during FY19 (refers to the period April 1 to March 31) which limits the company's financial flexibility in times of stress and deprives it of scale benefits.

Intense competition due to exposure to tender driven nature of business

BLM's business is tender-based which is characterized by intense competition resulting in low operating margins for the company. The growth of business depends entirely upon the company's ability to successfully bid for tenders and emerge as the lowest bidder. Therefore, the ability of the company to secure new orders and successful execution with existing competition remains a concern.

Fragmented nature of the construction sector albeit improving growth prospects

The construction sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results into intense competition within the industry. Despite these road blocks faced by the industry, the sector is expected to grow, given huge economic significance associated with it and rising investor

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

interest. Also, the outlook for Indian construction sector continues to be stable in the medium to long-term on account of increased thrust of Government on development of infrastructure to support economic growth.

Key Rating Strengths

Experienced promoters and established track record of entity

BLM has been working as a Civil Contractor for thirteen years which aids in establishing relationship with suppliers. The company is currently being managed by Mr. Brij Lal and his son Mr. Piare Lal Mehta. Both the directors have an industry experience of around three and a half decades through their association with BLM since the inception and previously through Inderjit Mehta Constructions Private Limited as directors.

Moderate profitability margins:

The profitability margins of the company as marked by PBILDT and PAT margin stood moderate at 16.19% and 8.33% respectively in FY19 as against 8.52% and 3.10% respectively in FY18.

Moderate overall solvency position

The capital structure of the company as marked by debt-equity and overall gearing ratio stood moderate at 0.24x and 0.62x respectively, as on March 31, 2019 as against 0.50x and 1.02x respectively, as on March 31, 2018. Further, the debt coverage indicators of the company as marked by interest coverage ratio and total debt to GCA stood moderate at 9.86x and 1.87x respectively for FY19. Furthermore, the company has not availed moratorium from bank in light of COVID-19 pandemic for its debt obligations

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology – construction sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Financial ratios – Non-Financial Sector](#)

About the company

B L Mehta Constructions Private Limited (BLM) was incorporated as a private limited company in January 2005 and is currently being managed by Mr. Brij Lal and his son Mr. Piare Lal Mehta. BLM is engaged in civil construction work and undertakes construction of buildings and departments only for government sector entities. The company is registered as a class 'SS' contractor with Military Engineering Services (MES), Jaipur Development Authority, Housing Board Chandigarh, CRPF, M.P. Police Housing & Infrastructure Development Corporation Limited, Maharashtra State Police Housing & Welfare Corporation Limited, etc. The orders undertaken by the company are secured through the competitive bidding process.

Covenants of rated instrument / facility: Not Applicable

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	105.88	106.96
PBILDT	9.02	17.31
PAT	3.28	8.91
Overall gearing (times)	1.02	0.62
Interest coverage (times)	2.92	9.86

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantees	-	-	-	7.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (01-Apr-20)	1)CARE BB; Stable (03-Jul-19)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (20-Mar-19)
2.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	7.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (01-Apr-20)	1)CARE BB; Stable / CARE A4 (03-Jul-19)	1)CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING* (20-Mar-19)

*Issuer did not cooperate; based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact

Mr. Sajan Goyal
Contact no.: +91- 11-4533 3233
Email ID: sajan.goyal@careratings.com

Relationship Contact

Ms. Swati Agrawal
Contact no.: +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**